

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:	§	
	§	Chapter 11
SANCHEZ ENERGY CORPORATION, et	§	
al., ¹	§	Case No. 19-34508 (MI)
	§	
Debtors.	§	(Jointly Administered)
	§	
<hr/>		
CATHEXIS ROYALTIES & MINERALS,	§	
LP,	§	
	§	
Plaintiff,	§	Adv. Pro No. _____
	§	
v.	§	
	§	
SN CATARINA, LLC, SANCHEZ	§	(Removed from the 55th Judicial District
ENERGY CORPORATION and SN	§	Court of Harris County, Texas; Cause No.
OPERATING, LLC,	§	2019-14792)
	§	
Defendants.	§	
	§	

NOTICE OF REMOVAL

SN Catarina, LLC, SN Operating, LLC, and Sanchez Energy Corporation (collectively, “Defendants” or the “Debtors”), remove the action styled *Cathexis Royalties & Minerals, LP v. SN Catarina, Sanchez Energy Corporation and SN Operating, LLC*, from the 55th Judicial District Court of Harris County, Texas, Cause No. 2019-14792, to the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the “Bankruptcy Court”), through referral by the United States District Court for the Southern District of Texas, Houston Division (the “District Court”), pursuant to the District Court’s General Order

¹ The debtors in these chapter 11 cases, along with the last four digits of each debtor’s federal tax identification number, include: Sanchez Energy Corporation (0102); SN Palmetto, LLC (3696); SN Marquis LLC (0102); SN Cotulla Assets, LLC (0102); SN Operating, LLC (2143); SN TMS, LLC (0102); SN Catarina, LLC (0102); Rockin L Ranch Company, LLC (0102); SN EF Maverick, LLC (0102); SN Payables, LLC (0102); SN UR Holdings, LLC (0102). The location of the debtors’ service address is 1000 Main Street, Suite 3000, Houston, Texas 77002.

2012-6.

1. This Notice of Removal is filed pursuant to 28 U.S.C. §§ 1334, 1441, and 1452, Rule 9027 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rules 9027-1 and 9027-2 of the Southern District of Texas Bankruptcy Local Rules (the “Local Rules”).

The Bankruptcy Case

2. On August 11, 2019, Defendants filed voluntary petitions in the Bankruptcy Court for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the cases *In re Sanchez Energy Corporation*, No. 19-34508; *In re SN Catarina, LLC*, No. 19-34514; and *In re SN Operating, LLC*, No. 19-34512.

3. Those cases, along with others, are now being jointly administered in this proceeding.

The State Court Action

4. On February 27, 2019, Cathexis Royalties & Minerals, LP (“Plaintiff”) filed a civil action styled *Cathexis Royalties & Minerals, LP v. SN Catarina, Sanchez Energy Corporation and SN Operating, LLC* (the “State Court Action”), which was assigned to the 55th Judicial District Court of Harris County, Texas, Cause No. 2019-14792. The State Court Action asserts a claim against debtor SN Catarina, LLC for breach of an oil and gas lease, alleging that SN Catarina, LLC, successor in interest to the lessee, has underpaid royalties allegedly owed to Plaintiff as a successor in interest to the lessor. The State Court Action also asserts claims against debtors SN Operating, LLC and Sanchez Energy Corporation for breach of guaranty, alleging that each had breached a guaranty agreement with Plaintiff “by failing to pay royalties owed to Plaintiff under the Lease after SN [Catarina, LLC] breached its obligation under the

Lease to pay such royalties.” For these claims, Plaintiff seeks recovery from Defendants of damages “in excess of \$1,000,000,” plus attorneys’ fees and costs.

5. On March 29, 2019, Defendants filed an Original Answer in the State Court Action.

6. All pleadings, process, orders, and other filings in the State Court Action are filed herewith in accordance with Bankruptcy Rule 9027(a) and Bankruptcy Local Rule 9027-1(b).

Jurisdiction, Venue, and Removal

7. Removal of the State Court Action is appropriate under 28 U.S.C. § 1452, which provides:

A party may remove any claim or cause of action in a civil action other than a proceeding before the United States tax court or a civil action by a governmental unit to enforce such governmental units, policy or regulatory power, to the district court for the district where such civil action is pending, if such district court has jurisdiction of such claim or cause of action under § 1334 of this title.

28 U.S.C. § 1452(a). The filing of the Debtors’ chapter 11 cases gave the District Court jurisdiction over all civil proceedings “arising under title 11, or arising in or related to [the Debtors’ cases] under title 11.” 28 U.S.C. § 1334(b).

8. The State Court Action asserts claims against the Debtors and Plaintiff has filed a proof of claim in the Debtors’ bankruptcy case on account of such claims.² Such claims are also subject to a cure objection and lease assumption issues raised in the context of the Debtors’ chapter 11 plan (the “Plan”)³ and preserved for adjudication before the Bankruptcy Court pursuant to the Plan under the Bankruptcy Court’s order confirming the Debtors’ chapter 11 plan.⁴ Therefore, this Court has jurisdiction to consider the claims asserted in the State Court

² Claim Nos. 431, 434, and 541.

³ Bankr. Dkt. No. 1259.

⁴ Confirmation Order, Bankr. Dkt. No. 1212, at ¶ 38; Plan, Bankr. Dkt. No. 1212, at Art. XI.

Action under 28 U.S.C. § 1334 as such claims relate to the Debtors' bankruptcy case and the resolution of such claims in the context of the Debtors' bankruptcy case and pursuant to the Plan are core matters arising in this case and under the Bankruptcy Code.

9. Venue of this removal is proper under 28 U.S.C. § 1441(a) because this Court is the Bankruptcy Court of the United States District Court for the district and division encompassing the state court where the action is pending.

10. Pursuant to Bankruptcy Rule 9027(a)(1) and Local Rule 9027-2, upon removal of the State Court Action, Defendants consent to entry of final orders or judgment by the Bankruptcy Court if it is determined that the Bankruptcy Court, absent consent of the parties, cannot enter final orders or judgment consistent with Article III of the United States Constitution.

11. This Notice of Removal is timely filed because it is filed prior to expiration of the period set forth in this Court's Order Further Extending Period Within Which Debtors May Remove Actions Pursuant to 28 U.S.C. § 1452 and Rule 9027 of the Federal Rules of Bankruptcy Procedure, at Dkt. No. 1009 ("Order"). That Order, which was entered March 4, 2020, extended through **July 6, 2020**, the time period provided under 28 U.S.C. § 1452 and Bankruptcy Rule 9027 within which the Debtors may file notices of removal of any and all civil actions.

12. No previous removal of this case has been attempted or effectuated.

Parties and Counsel of Record

13. Plaintiff Cathexis Royalties & Minerals, LP is a Texas limited partnership with its principal place of business in Houston, Texas. Its address is 1000 Louisiana Street, Suite 7000, Houston, Texas 77002.

14. Counsel of record for Plaintiff are Greg Waller and Ashley Kahn of Hunton Andrews Kurth LLP, 600 Travis, Suite 4200, Houston, Texas 77002, telephone number (713) 220-4200.

15. Defendant SN Catarina, LLC is a Delaware limited liability company with its principal place of business in Houston, Texas. Its address is 1000 Main Street, Suite 3000, Houston, Texas 77002.

16. Defendant Sanchez Energy Corporation is a Delaware corporation with its principal place of business in Houston, Texas. Its address is 1000 Main Street, Suite 3000, Houston, Texas 77002.

17. Defendant SN Operating, LLC is a Delaware limited liability company with its principal place of business in Houston, Texas. Its address is 1000 Main Street, Suite 3000, Houston, Texas 77002.

18. Counsel of record for Defendants are Daniel M. McClure and Matthew A. Dekovich of Norton Rose Fulbright US LLP, 1301 McKinney, Suite 5100, Houston, Texas 77010, telephone (713) 651-5151. They are joined herein by Robert B. Bruner, of the same firm and address, as additional counsel for Defendants.

Notice

19. In accordance with Bankruptcy Rule 9027(b), Defendants are promptly serving Plaintiff with this Notice of Removal and filing this Notice of Removal with the clerk of the 55th Judicial District Court of Harris County, Texas.

Dated: June 18, 2020

Respectfully submitted,

NORTON ROSE FULBRIGHT US LLP

By: /s/ Daniel M. McClure

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Counsel for Defendants

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing pleading was served on this, the 18th day of June 2020 on all parties entitled to receive service through the Court's Pacer ECF filing system.

/s/ Daniel M. McClure

Daniel M. McClure